

Message Text

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TAGS: ETRD EFTA ECIN PO SP
SUBJECT: PORTUGUESE/SPANISH TRADE NEGOTIATIONS

1. PORTUGAL AND SPAIN ARE DISCUSSING, WITHIN THE CONTEXT OF SPANISH NEGOTIATIONS FOR A TRADE AGREEMENT WITH EFTA, A BILATERAL PROTOCOL TO REDUCE TRADE BARRIERS BETWEEN THE TWO COUNTRIES. THE PROTOCOL, EXPECTED TO BE CONCLUDED LATER THIS YEAR, IS TO BE INTEGRATED INTO THE OVERALL SPAIN-EFTA AGREEMENT. ITS OBJECTIVES ARE TWOFOLD: TO REDUCE THE ALREADY LARGE PORTUGUESE TRADE DEFICIT WITH SPAIN (SOME \$175 MILLION IN 1977) AND TO COMPENSATE PORTUGAL FOR EXPECTED INJURIES RESULTING FROM A SPANISH-EFTA AGREEMENT GIVING SPANISH EXPORTS PREFERENTIAL ACCESS TO EFTA MARKETS.

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2. THE PORTUGUESE/SPANISH AGREEMENT IS TO BE IMPLEMENTED IN TWO PHASES: (1) THE PERIOD 1979-81, DURING WHICH MUCH OF THE INDUSTRIAL TRADE BETWEEN THE TWO COUNTRIES WILL BE SIGNIFICANTLY LIBERALIZED; AND (2) THE PERIOD 1982-85, AT THE END OF WHICH, ASSUMING EVENTUAL PORTUGUESE AND SPANISH ACCESSION TO THE EC, BILATERAL TRADE WOULD BE VIRTUALLY FREE OF TARIFF BARRIERS. THE TWO COUNTRIES HAVE AGREED

THAT TARIFF CUTS DURING THE FIRST PHASE WILL BE ASSYMETRICAL, WITH PORTUGAL BENEFITING FROM DEEPER AND BROADER SPANISH TARIFF REDUCTIONS BECAUSE OF PORTUGAL'S RELATIVELY WEAKER ECONOMY AND PRESENT SERIOUS TRADE DEFICIT WITH SPAIN. BOTH COUNTRIES ARE NOW PREPARING LISTS OF PROPOSED TARIFF REDUCTIONS. DURING THE INITIAL 1979-81 PHASE, EACH COUNTRY WOULD MAINTAIN A "NEGATIVE" LIST OF SENSITIVE GOODS FOR WHICH TARIFF REDUCTIONS WOULD BE MINIMAL--E.G., STEEL AND TEXTILES. PROGRESS TOWARD THE SECOND PHASE OBJECTIVE OF FREE TRADE HAS BEEN MINIMAL, CONSISTING LARGELY OF A DECLARATION OF INTENT. FULFILLMENT OF THAT OBJECTIVE APPARENTLY WILL DEPEND HEAVILY ON THE TWO COUNTRIES' NEGOTIATIONS FOR EC ACCESSION.

3. THERE APPEARS TO BE MIXED FEELINGS WITHIN GOP CIRCLES ABOUT THE AGREEMENT AND ITS IMPLICATIONS FOR PORTUGAL. GOP SECRETARY OF STATE FOR FOREIGN TRADE, CARLOS FILIPE, RECENTLY INFORMED EMBASSY OF HIS SATISFACTION WITH THE TENTATIVE AGREEMENT REACHED THUS FAR. ONE OF HIS SUBORDINATES INVOLVED IN THE NEGOTIATIONS WAS, HOWEVER, MUCH MORE CAUTIOUS. THE LATTER EXPRESSED SKEPTICISM THAT THE AGREEMENT WOULD DO MUCH TO REDUCE PORTUGAL'S TRADITIONAL TRADE DEFICIT WITH SPAIN, PARTICULARLY IF SPAIN DOES NOT BEGIN TO PHASE OUT ITS ADMINISTRATIVE IMPORT CONTROLS AND ITS SUBSIDIES TO SPANISH PRODUCERS.

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4. WE WOULD APPRECIATE ANY INFORMATION EMBASSY MADRID DEVELOPS ON THESE NEGOTIATIONS, PARTICULARLY THE LISTS OF CONCESSIONS SPAIN PROPOSES TO OFFER PORTUGAL.
BLOOMFIELD

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